The Manitoba
Water Services Board

La Commission des services
d'approvisionnement en eau du Manitoba

Annual Report 2005-2006

Rapport annuel 2005-2006

Manitoba

2007-00397

The Manitoba Water Services Board

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MINISTER OF WATER STEWARDSHIP

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

August 28, 2006

The Honourable John Harvard
Lieutenant Governor of Manitoba
Government House
200 Kennedy Street
Winnipeg MB R3C 1S4

Your Honour:

It is my pleasure to present to you The Manitoba Water Services Board Annual Report for the period extending from April 1, 2005 to March 31, 2006. This report records the activities of the Board for that period.

Sincerely,

Steve Ashton
Minister of Water Stewardship

Manitoba

Deputy Minister of
Water Stewardship

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

August 28, 2006

Honourable Steve Ashton
Minister of Water Stewardship
Room 314, Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I have the honour of presenting to you the 34th Annual Report of The Manitoba Water Services Board for the fiscal year ending March 31, 2006, together with the financial statements for the same period.

Yours sincerely,

Gerry Berezuk
Chairman

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The Manitoba Water Services Board

Box 22080, Brandon MB R7A 6Y9
Phone: 204-726-6076 Fax: 204-726-6290
Web: www.gov.mb.ca/waterstewardship/mwsb/

BOARD:

Gerry Berezuk (Chairman)
Deputy Minister
Water Stewardship

Albert Delichte
Ethelbert, Manitoba

Greg McCullough
Winnipeg, Manitoba

Wayne Motheral
Morden, Manitoba

Vacant

MANAGEMENT:

R. (Dick) Menon, P.Eng. (General Manager)
Phone: 204-726-6073
Email: dmenon@gov.mb.ca

Dave Shwaluk, P.Eng. (Engineering)
Phone: 204-726-6084
Email: dshwaluk@gov.mb.ca

Ray Foreman, P.Eng. (Operations)
Phone: 204-726-6083
Email: rforeman@gov.mb.ca

Bill Kenning (Contracts)
Phone: 204-726-6096
Email: bkenning@gov.mb.ca

Cheryl Brigden (Finances)
Phone: 204-726-6093
Email: cbrigden@gov.mb.ca

The Manitoba Water Services Board

Foreword

The Manitoba Water Services Board (Board) was established in July 1972 as a Crown Corporation, under *The Manitoba Water Services Board Act,* to assist in the provision of water and sewerage facilities for the residents of rural Manitoba. The Board replaced The Manitoba Water Supply Board (1959-1972), taking over all responsibilities of the former Board, owning and operating 38 water supply installations in the Province.

In August 1981, the head office of The Manitoba Water Services Board, formerly in Winnipeg, was transferred to Brandon, Manitoba. The Board's primary mandate is the delivery of a Sewer and Water Program, which provides for the installation or upgrading of sewer and water facilities in Manitoba communities.

In 1984, the Board assumed the responsibility of delivering a Water Development Program, which provides for the construction of agricultural area pipelines and farm water sources, with the primary objective being to provide a dependable, sustainable water supply in rural Manitoba. The Board has also been involved in a number of partnership agreements with the Government of Canada, the most recent one being the Partnership Agreement on Municipal Water Infrastructure (PAMWI).

In 1994, the Board assumed responsibility for managing the Conservation Districts Program. Although the Board is no longer responsible for the Conservation Districts Program activities, it still continues to provide banking functions for the capital grants to the Districts.

The Board, made up of four citizen members chaired by the Deputy Minister of Manitoba Water Stewardship, reports to the Legislature through the Minister of Water Stewardship. The Board's activities are managed by a team headed by the General Manager.

The Board, under the authority of the Act, may enter into agreements with any organized area of the Province, including municipalities, local government districts, villages, towns and cities, excluding (a) the City of Winnipeg, (b) the areas under the jurisdiction of the Minister of Aboriginal and Northern Affairs, and (c) those areas of the Province under Federal Government jurisdiction.

La Commission des services d'approvisionnement en eau du Manitoba

Avant-propos

La Commission des services d'approvisionnement en eau du Manitoba est une société d'État créée en juillet 1972 en vertu de la *Loi sur la Commission des services d'approvisionnement en eau du Manitoba.* Sa raison d'être est de faciliter l'approvisionnement en eau et l'installation de systèmes de traitement des eaux usées au bénéfice des résidants des régions rurales du Manitoba. La Commission a succédé à la Manitoba Water Supply Board (1959-1972), héritant de toutes ses responsabilités ainsi que des 38 stations d'approvisionnement en eau qu'elle gère dans l'ensemble de la province.

En août 1981, le siège social de la Commission des services d'approvisionnement en eau du Manitoba a été transféré de Winnipeg à Brandon, au Manitoba. La mission principale de la Commission consiste à mettre en œuvre le Programme de service d'eau et d'égouts qui s'occupe de l'installation et de l'amélioration des systèmes d'eau et d'égouts dans les communautés du Manitoba.

En 1984, la Commission a pris en charge la mise en œuvre du Programme pour l'amélioration des services d'approvisionnement en eau. Ce programme se consacre à la construction de canalisations d'eau dans les régions agricole et à la construction d'infrastructures d'approvisionnement des fermes en eau. L'objectif principal est de fournir aux régions rurales du Manitoba un approvisionnement en eau fiable et renouvelable. Bien que la Commission des services d'approvisionnement en eau du Manitoba ne soit plus responsable des activités du Programme des districts de conservation, elle continue de fournir des services bancaires pour les subventions d'immobilisation accordées aux districts.

En 1994, la Commission a pris en charge la gestion du Programme des districts de conservation. Bien que la Commission des services d'approvisionnement en eau du Manitoba ne soit plus responsable des activités du Programme des districts de conservation, elle continue de fournir des services bancaires.

Quatre particuliers forment le Conseil d'administration de la Commission qui est présidé par le sous-ministre de la Gestion des ressources hydriques. La Commission rend compte à l'Assemblée législative par l'intermédiaire du ministre de la Gestion des ressources hydriques. Les activités de la Commission sont gérées par une équipe dirigée par le directeur général.

Once an application for assistance or a resolution is received, the Board prioritizes the project and subject to availability of funds and approvals, makes the necessary physical and technical investigations, an offer (Agreement) is submitted to the municipality for the construction of new works, extensions and/or improvements to existing works. After the municipality has received the necessary Municipal Board approvals, the Agreement is executed and the Board enters into the necessary contracts for Engineering services and construction of the works. Generally, the Board provides Project Management, including interim financing and tendering of all construction contracts, for the projects undertaken.

En vertu de la *Loi*, la Commission peut conclure des ententes avec toutes les administrations locales de la province, notamment les municipalités, les districts d'administration locale, les villages et les villes, à l'exception a) de la ville de Winnipeg, b) des régions relevant du ministre des Affaires autochtones et du Nord et c) des régions de la province relevant du gouvernement fédéral.

Dès qu'elle reçoit une demande d'aide ou une résolution, la Commission détermine la priorité du projet. Puis, sous réserve d'acceptation et de fonds disponibles, elle effectue les recherches physiques et techniques nécessaires. On présente alors à la municipalité une offre (entente) de construction des nouveaux ouvrages, ou d'extension ou d'amélioration des ouvrages existants. Dès que la municipalité obtient les approbations indispensables de son conseil municipal, l'entente est mise en œuvre et la Commission entame le processus nécessaire d'attribution des contrats de services d'ingénierie et de construction des ouvrages. En règle générale, la Commission assume la gestion du projet, y compris le financement provisoire et les appels d'offres pour tous les contrats de construction.

Objectives

The Manitoba Water Services Board has the following specific objectives:

a) To assist municipalities with the construction of all plants and works necessary for obtaining, collecting, storing, treating, purifying and transmitting water.

b) To assist municipalities in the transmission of water from a source of supply or a point of storage to a point of acceptance by the individual.

c) To assist municipalities with the construction of works for the collection of sewage.

d) To assist municipalities with the construction of works for the treatment and disposal of sewage.

e) To assist agricultural communities with the upgrading of water supply/treatment facilities and/or sewage treatment systems.

Capital Programs

To meet its objectives, the Board enters into agreements with Municipalities and/or Water Cooperatives, to provide technical and financial assistance to construct and/or upgrade water and/or sewerage infrastructure works. The primary objective is to ensure that a safe and sustainable water supply is available and that the wastewater is treated and disposed of in an environmentally sustainable manner.

Generally, the Board's total annual expenditure for water and sewerage, including Municipal and Federal contribution, is approximately $30.0M.

Objectifs

Voici les objectifs précis de la Commission des services d'approvisionnement en eau du Manitoba :

a) aider les municipalités à construire les stations et ouvrages nécessaires pour se procurer l'eau, la recueillir, l'entreposer, la traiter, la purifier et l'acheminer;

b) aider les municipalités à acheminer l'eau de sa source ou de son lieu d'entreposage jusqu'au point d'alimentation accepté par les particuliers;

c) aider les municipalités à construire les ouvrages nécessaires à la collecte des eaux usées;

d) aider les municipalités à construire les ouvrages nécessaires au traitement et à l'évacuation des eaux usées;

e) aider les communautés agricoles à améliorer les installations d'approvisionnement et de traitement des eaux naturelles, ainsi que les systèmes de traitement des eaux usées.

Programmes 'immobilisations

Pour atteindre ses objectifs, la Commission conclut des ententes avec les municipalités ou les coopératives d'eau afin de fournir une aide technique et financière leur permettant de construire ou d'améliorer des infrastructures hydrauliques ou de traitement des eaux usées. L'objectif principal est de garantir un approvisionnement en eau sécuritaire et renouvelable, ainsi que le traitement et l'évacuation des eaux usées d'une façon renouvelable et respectueuse de l'environnement.

En général, les dépenses totales réalisées par la Commission en matière d'eau naturelle et d'eau usée sont d'environ 30 millions de dollars par an (ce qui inclut les contributions municipales et fédérales).

Activities Carried Out To Meet The Objectives

Water Treatment Plants

1.0 Previously Constructed Works

The Manitoba Water Services Board assumed responsibilities for 38 water treatment plants constructed between 1961 and 1972, under the authority of *The Manitoba Water Supply Board Act*.

To meet the objectives of the Board and at the request of the municipalities, the Board has transferred the following water treatment plants:

Hartney, Town	January 1, 1979
Altona, Gretna, Rhineland	March 31, 1987
Letellier, (Montcalm, R.M.)	March 31, 1987
Winkler, Town	January 1, 1989
Holland, (Victoria, R.M.)	December 1, 1991
Gilbert Plains, Town	April 1, 1992
Dominion City, (Franklin, R.M.)	July 1 1993
St. Jean Baptiste, (Montcalm, R.M.)	December 31, 1993
Ste. Rose du Lac, Village	December 31, 1993
Ste. Agathe, (Ritchot, R.M.)	April 1, 1994
Hamiota, Town	January 1, 1998
Erickson, Town	January 1, 1998
Cartwright, Village	January 1, 1998
Deloraine, Town	April 1, 1998
St. Claude, Village	April 1, 1998
Kenton, (Woodworth, R.M.)	July 1, 1998
Angusville, (Silver Creek, R.M.)	January 1, 1999
Manitou, Town	April 1, 1999
Reston, (Pipestone, R.M.)	April 1, 1999
Russell, Town	April 1, 1999
Elie, (Cartier, R.M.)	June 1, 1999
Pilot Mound, Town	August 1, 1999
Benito, Village	April 1, 2000
Kelwood, (Rosedale, R.M.)	October 1, 2000
Rossburn, Town	November 1, 2000
McCreary, Village	April 1, 2002
Minitonas, Town	March 1, 2003
Bowsman, Village	March 31, 2003
Ethelbert, Village	March 31, 2003
Belmont, (Strathcona, R.M.)	April 1, 2003
Sandy Lake (Harrison, R.M.)	April 1, 2005

The Manitoba Water Services Board Act requires the Board to fix water rates for plants constructed prior to 1972 to recover costs pertaining to the services supplied. The rates set by the Board and approved by the Province are in accordance with tables maintained by the Board, which indicate a return of full capital costs and operating deficits based on a 35 year operating life.

At the beginning and ending of the fiscal year the Board owned and operated seven water treatment plants.

Effective April 1, 2006 water rates were increased at Baldur, Inglis, Notre Dame de Lourdes, Oak River, Somerset, Strathclair and Winnipegosis. Rates were determined by the Consumer Price Index of 2.9%, plus increases to cover capital costs.

As the Previously Constructed Water Plants did not receive a Provincial grant during construction and as an inducement to the Municipality to assume the ownership, including operating and maintenance of these plants, The Manitoba Water Services Board has offered to continue to operate the plants, until the deficits are fully recovered through water rates.

Water Treatment Plants (Previously Constructed Works)

Sale of Water Town or Municipality	Consumption 2005-06	Actual Cost of Production per 1,000 I.G.	April 1/06 Selling Price 1,000 I.G.	Type of Treatment
Argyle, (R.M.)(Baldur)	5,523,920	5.51	5.67	A,B,C
Blanshard, (R.M.)(Oak River)	3,884,100	9.15	9.60	B,C,D
Notre Dame de Lourdes, Village	20,559,500	5.10	5.25	B,C,D
Shellmouth-Boulton, (R.M.)(Inglis)	3,674,585	12.36	13.95	B,C,D
Somerset, Village	10,916,500	3.31	4.70	A,B,C
Strathclair, (R.M.)(Strathclair)	6,163,328	8.33	8.57	B,C,D
Winnipegosis, Village	9,112,562	8.29	8.53	A,C,D

Type of Treatment:

A - Fluoridation

B - Green Sand Filtration

C - Chlorination

D – Membrane, Nano

2.0 Newly Constructed Works

Under *The Manitoba Water Services Board Act* the Board entered into seven cost sharing agreements with municipalities for the construction of water treatment plants and to operate the plants at full recovery of operating costs. On April 1, 2004 the Board transferred the last remaining (Newly Constructed) plant.

3.0 Cartier Regional Water Supply System

In 1999, the Board entered into a Public Private Partnership (3P) agreement with CWP Limited Partnership of Winnipeg on behalf of the Rural Municipalities of Cartier, Headingley, Portage la Prairie and St. Francois Xavier, to design, build and operate the Cartier Regional Water Supply System (CRWSS). The ownership of the system will be transferred to the Municipalities when all of the debts are paid.

The four municipalities have, in turn, formed a cooperative, Cartier Regional Water Co-op Inc. (Co-op), for the administration and the eventual ownership of the utility. The Board is represented on the Co-op Board, as an ex-officio member. The Board, at the request of the Co-op, has agreed to be the Project Manager, until the system debts are fully paid through user fees.

The wholesale water rates for 2005-06 were set by the Board at $6.50 per 1,000 Imperial gallons. The Board, with the concurrence of the Co-op, has increased the rates effective April 1, 2006 to $6.69, an increase of 2.9% which represents the Consumer Price Index (CPI) increase over the previous year.

Sewer and Water Program

1.0 Capital Construction

The Board enters into agreements with municipalities when requested and approved. Total project management, which includes entering into engineering consultant agreements, obtaining various approvals, entering into contracts and interim financing, is provided. Also included in the Project Management is project commissioning, monitoring/evaluation of performance and other warranty services as required.

The Board also undertakes a number of projects in partnership with the Federal Prairie Farm Rehabilitation Administration (PFRA), primarily in the area of rural water development. This includes the development, primarily, of community water sources and rural water pipelines.

In 1997, The Manitoba Water Services Board's grant formula was changed, wherein a 2-tier system was adopted as follows:

1. Projects which have a greater Provincial or Regional benefit receive 50% Provincial grants, such as:
    - documented or potential public health and environmental issues
    - regional wastewater and water facilities
    - economic benefits to the Province/region
    - water conservation/efficiency programs
    - innovative projects such as wetlands, effluent irrigation
2. Projects which are primarily of local improvement in nature will receive a 30% Provincial grant.
3. An additional grant of 10% is provided for wastewater and water works north of the 53rd parallel.
4. Projects which are cost shared with the Federal Government are generally on a one-third basis between the Board, PFRA and the local municipality.

Agreements between The Manitoba Water Services Board and a municipality generally include all aspects of the project development and implementation. The agreements also allow for a warranty period of one year after substantial completion of the construction works to ensure satisfactory performance of the infrastructure.

Sewer and water activities, including feasibility studies, design and construction, resulted in a total expenditure of $34.5M, of which $11.1M was contributed by the Province. Project management and interim financing were provided to 31 substantially completed, 37 ongoing and 26 new projects during the year.

Sewer and Water Projects Substantially Completed during 2005-06 were:

Project	Work Description	Project Costs	Provincial Grants
Arborg (9), Town	Water Treatment Plant Upgrade	$243,377	$33,689
Argyle (2), R.M.	Infrastructure Assessment Study	38,635	19,318
Blanshard (6), R.M. (Oak River)	Water Supply Upgrade	10,605	5,302
Cartwright (4), Village	Water Treatment Plant Pilot Study	34,555	17,278
Deloraine (7), Town	Water Treatment Plant Upgrade	34,264	17,132
De Salaberry, R.M. (St. Malo)	Water Treatment Plant Upgrade	18,380	9,190
Erickson (9), Town	Lagoon Upgrade	36,240	18,120
Hamiota (10), Town	Water Treatment Plant Upgrade	55,206	27,603
Harrison (4), R.M. (Sandy Lake)	Water Treatment Plant Upgrade	14,024	7,012
Lorne (6), R.M.	Sewer Line Investigation	41,598	20,799
Lynn Lake (2), Town	Water Treatment Plant Upgrade	1,463,987	518,392
Macdonald (8), R.M.	Water and Sewer Infrastructure Upgrade	710,679	300,000
McCreary (8), R.M.	Groundwater Investigation	35,448	11,816
Miniota (5), R.M.	Wastewater Stabilization Pond	444,575	62,126
Mountain, R.M. (Birch River)	Sewer System Feasibility Study	15,239	7,620
Neepawa (12), Town	Wastewater Treatment Study	48,858	16,286
Niverville (2), Town	Lagoon Feasibility Study	37,000	18,500
Oak Lake (2), Town	Sewage Lagoon Feasibility Study	25,327	12,664
Roblin (8), Town	Water Supply System Upgrade	139,562	69,781
St. Clements, R.M. (East Selkirk)	Water and Sewer Feasibility Study	25,691	12,846
Rosedale (5), R.M.	Water Supply Upgrading	36,108	18,054
Russell (6), Town	Water Supply Source	44,127	22,064
Selkirk (5), City	Water and Sewer Works Upgrade	1,118,838	435,520
Snow Lake (5), Town	Water Supply Upgrade	1,507,784	904,670
Thompson (6), City	Wastewater Treatment Study	64,171	32,086
Victoria (3), R.M.	Water Treatment Plant Upgrade	98,151	49,075
Wallace (5), R.M.	Environmental Impact Study	158,658	52,854
Wallace (6), R.M.	Water Supply System and Pipeline	2,809,854	966,382
Wallace (7), R.M.	Water Supply Line and Booster Station	3,668,692	1,834,346
Whitemouth (4), R.M.	Water Treatment Plant Study	17,511	5,806
Westbourne (2), R.M.	Groundwater Investigation	194,804	65,604
	Total	$13,191,948	$5,591,935

Sewer and Water Projects Under Design and/or Construction during 2005-06 were:

Project	Work Description	Agreement Estimate	Estimated Grants
Brandon (5), City	Water and Sewermains, Booster Station	$3,000,000	$1,114,000
Brokenhead (2), R.M. Ph. 1	Water and Sewer Mains	8,300,000	690,000
Brokenhead (3), R.M. Ph. 2	Water Supply and Wastewater Treatment	3,600,000	1,500,000
Carman (5), Town	Sludge Drying Beds	400,000	200,000
Dauphin (5), City	Lagoon Upgrade	2,510,000	750,000
De Salaberry (2), R.M. (St. Malo)	Water Supply System	120,000	60,000
Flin Flon (8), City Ph. 2 and 3	Sewage Treatment Plant Upgrade	10,000,000	6,000,000
Gimli (9), R.M.	Wastewater Treatment Plant Upgrade	4,890,297	1,350,000
Gimli (10), R.M. Ph. 2	Sewage Treatment Plant	8,000,000	4,000,000
Gladstone (5), Town	Regional Water Supply	800,000	400,000
Grey (6), R.M., Ph. 1 (Elm Creek)	Water Treatment Plant Upgrade	200,000	100,000
Grey (8), R.M.	Water Supply Pipeline	600,000	200,000
Lansdowne (3), R.M. (Arden)	Water and Sewer System	1,900,000	582,969
Lorne (7), R.M.	Water Treatment Plant Upgrade	8,000	4,000
Melita (3), Town	Groundwater Investigation	140,000	70,000
Mountain (2), R.M. (Birch River)	Sewage Collection System	1,270,000	81,900
North Norfolk (2), R.M.	Regional Water Supply	800,000	400,000
North Norfolk, R.M.	Water Supply Pipeline	2,000,000	666,667
Portage la Prairie (27), R.M.	Sewage Treatment System	1,200,000	600,000
Portage la Prairie (29), R.M.	Water Supply Pipeline	1,350,000	450,000
Portage la Prairie (30), City	Water Treatment Plant Upgrade	1,000,000	500,000
Rivers (3), Town	Water and Sewer System Upgrade	700,000	265,517
Roblin (9), Town	Watermain Renewal	420,000	100,000
Roland (5), R.M. (Roland)	Sewage Lagoon Upgrade	550,000	275,000
Silver Creek (7), R.M.	Water Treatment Plant Upgrade	450,000	49,560
Snow Lake (6), Town	Water Treatment Plant Upgrade	2,400,000	1,440,000
Souris (17), Town	Water Treatment Plant Upgrade	120,000	60,000
Springfield (2), R.M.	Regional Wastewater System	4,760,000	2,380,000
Ste. Rose du Lac (10), Town	Water Treatment Plant Upgrade	100,000	50,000
Steinbach (4), City	Water Treatment Plant Upgrade	2,300,000	1,150,000
Stuartburn (4), R.M.	Sewermain Replacement	100,000	50,000
Stuartburn (5), R.M.	Sewermain Replacement	200,000	100,000
Wallace (8), R.M.	Water Supply Pipeline	2,400,000	800,000
Westbourne (3), R.M.	Regional Water Supply	800,000	400,000
Westbourne (4), R.M.	Water Supply Pipeline and Services	1,000,000	333,333
Whitehead (3), RM	Water & Sewer System	2,800,000	976,148
Whitemouth (5), R.M.	Water Supply and Wastewater Upgrade	360,000	180,000
	Total	$71,548,297	$28,329,094

Sewer and Water Construction Agreements Signed during 2005-06 were:

Project (Agreement)	Work Description	Date Signed	Estimated Project Cost
Argyle (2), R.M.	Infrastructure Assessment Study	June 27, 2005	$50,000
Cartwright (4), Village	Water Treatment Plant Pilot Study	April 13, 2005	30,000
De Salaberry (2), R.M.	Water Supply Source	July 8, 2005	120,000
Gimli (10), R.M.	Sewage Treatment Plant	March 22, 2006	8,000,000
Grey (8), R.M.	Water Supply Pipeline	August 29, 2005	600,000
Lorne (7), R.M.	Water Treatment Plant Upgrade	April 20, 2005	8,000
Melita (3), Town	Groundwater Investigation	August 29, 2005	140,000
Melita (4), Town	Water Supply System	March 2, 2006	3,000,000
Mountain (2), R.M.	Sewage Collection System	August 28, 2005	1,270,000
Oak Lake (2), Town	Sewage Lagoon Feasibility Study	June 30, 2005	45,000
Portage la Prairie (29), R.M.	Water Supply Pipeline	May 2, 2005	1,350,000
Portage la Prairie (30), City	Water Treatment Plant Upgrade	February 23, 2006	1,000,000
Riverside (2), R.M.	Sewage Lagoon Feasibility Study	June 20, 2005	40,000
Roblin (9), Town	Watermain Renewal	June 27, 2005	420,000
Roland (5), R.M. (Roland)	Sewage Lagoon Upgrade	April 1, 2005	550,000
Souris (17), Town	Water Treatment Plant Upgrade	June 27, 2005	120,000
Ste. Rose du Lac (10), Town	Water Treatment Plant Upgrade	April 29, 2005	100,000
Steinbach (4), City	Water Treatment Plant Upgrade	April 5, 2005	2,300,000
Stuartburn (5), R.M.	Sewermain Replacement	April 13, 2005	200,000
Wallace (7), R.M.	Water Supply Line and Booster Stations	July 9, 2005	4,000,000
Wallace (8), R.M.	Water Supply Pipeline	August 29, 2005	2,400,000
Westbourne (3), R.M.	Regional Water Supply	September 25, 2005	800,000
Westbourne (4), R.M.	Water Supply Pipeline and Services	September 22, 2005	1,000,000
Whitemouth (5), R.M.	Water Supply and Wastewater Upgrade	May 9, 2005	360,000
Whitewater, R.M.	Infrastructure Assessment Study	January 13, 2006	40,000
Yellowhead Regional Water Co-op	Regional Water System	February 16, 2006	10,000,000
	Total		$37,943,000

2.0 Project Management

The Board has over 40 years of experience in Project Managing the development of water and wastewater infrastructure. The Board, when requested and subject to availability of staff resources, agrees to act as Project Manager for other Provincial Departments and/or Municipalities. A memorandum of understanding (MOU) is signed with the requesting agency. All the project costs, including MWSB staff costs are recovered from the requesting agency.

2.1 Manitoba Conservation – Parks Branch

During 2005-06, the Board signed two MOU's with Mantioba Conservation (Parks Branch) to upgrade wastewater treatment facilities at Hecla, Birds Hill, Big Whiteshell and West Hawk Provincial Parks.

Hecla and Birds Hill facilities are to be upgraded in 2006-07.

2.2 City/R.M. of Dauphin

The Board signed a MOU with the City/R.M. of Dauphin and Manitoba Agriculture, Food and Rural Initiatives (MAFRI) to project manage the development of water and wastewater facilities for the proposed beef kill plant. The construction is expected to begin in late 2006.

3.0 Sustainable Development

On July 1, 1998, the Province proclaimed *The Sustainable Development Act.* The Act requires all Crown Corporations to:

- prepare and adopt a code of practice by July 2003
- prepare and adopt procurement guidelines and goals by December 2002, and
- prepare and adopt financial management guidelines by July 2003

The Board presently has policy guidelines, which deal with all of the requirements of the Act.

The Board considers wastewater and water infrastructure as a basic amenity required to safeguard public health and to provide economic development opportunities for the sustainability of Manitoba's communities.

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

C. Brigden
Financial Officer

June 16, 2006

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2006 and the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
June 16, 2006

The Manitoba Water Services Board **Exhibit A**

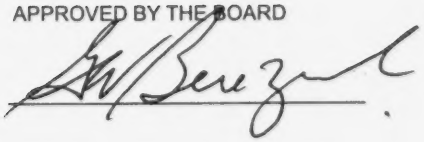
Balance Sheet

as at March 31, 2006

ASSETS	2006	2005
Current assets		
Cash	$ -	$ 73,676
Restricted Cash	765,292	699,100
Accounts receivable	6,409,612	3,082,927
Prepaid Supplies	72,145	50,235
Prepaid Professional Fees	-	288,000
Current portion, Construction in progress (Note 4)	1,367,486	790,184
Accrued interest	37,515	17,988
Current portion of debentures receivable (Note 5)	53,216	123,612
	8,705,266	5,125,722
Long-term Construction in Progress (Note 4)	3,160,979	1,319,744
Debentures receivable from municipalities (Note 5)	-	53,216
Capital assets (Note 6)	42,380	68,787
	$ 11,908,625	$ 6,567,469

LIABILITIES	2006	2005
Current liabilities		
Bank Indebtedness	$ 930,966	$ 699,100
Accounts payable and accrued charges	4,898,438	3,700,397
Advances from the Province of Manitoba payable on demand	6,800,000	2,500,000
Current portion of long-term debt (Note 7)	152,570	139,143
Infrastructure Renewal - Whitemud Conservation District (Note 3)	765,292	772,776
	13,547,266	7,811,416
Long-term debt (Note 7)		
Advances from the Province of Manitoba	3,909	156,480
Funds retained (Notes 8)	(1,742,550)	(1,500,427)
Interest adjustment fund account (Note 9)	100,000	100,000
	(1,642,550)	(1,400,427)
	$ 11,908,625	$ 6,567,469

APPROVED BY THE BOARD



The Manitoba Water Services Board **Exhibit B**

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2006

	2006	2005
Revenues		
Sale of water	$ 1,533,055	$ 1,422,352
Administrative expenses paid by the Province of Manitoba (Note 10)	1,950,193	1,951,959
Interest	62,523	87,334
Total revenues	3,545,771	3,461,645
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	312,238	222,551
- Long-term debt	27,429	39,748
Less: Interest allocated to new construction	(276,041)	(171,868)
	63,626	90,431
Chemicals	47,242	37,247
Amortization	25,528	25,528
Heat, telephone, light and power	213,399	212,738
Professional services	1,123,361	1,092,912
Salaries and benefits	271,135	230,389
Repairs and maintenance	84,070	72,128
Administrative expenses (Note 10)	1,950,193	1,951,959
Total expenditures	3,778,554	3,713,332
Deficiency of operating revenues over expenditures	(232,783)	(251,687)
Funds retained, beginning of year	(1,500,427)	(1,055,140)
Disposition of Funds (Note 8)	(9,340)	(193,600)
Funds retained, end of year (Note 8)	$ (1,742,550)	$ (1,500,427)

The Manitoba Water Services Board **Exhibit C**

Statement of Cash Flows

for the year ended March 31, 2006

	2006	2005
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ (232,783)	$ (251,687)
Expenditure not involving cash - amortization	25,528	25,528
	(207,255)	(226,159)
Change in accounts receivable	(3,326,685)	1,488,713
Change in prepaid supplies	(21,910)	5,940
Change in prepaid professional fees	288,000	(288,000)
Change in accounts payable and accrued charges	1,198,041	661,052
Change in accrued interest	(19,527)	22,050
Cash provided by (used for) operating activities	(2,089,336)	1,663,596
Financing activities		
Advances received	16,400,000	12,900,000
Advances repaid	(12,239,144)	(13,226,898)
Debentures receivable principal recoveries	123,612	288,877
Infrastructure Expenditure	(7,484)	(45,911)
Change in bank indebtedness	231,866	(1,284,141)
Cash provided by (used for) financing activities	4,508,850	(1,363,073)
Investing activities		
New construction costs	(34,463,182)	(26,542,592)
Funding recovered from:		
Province of Manitoba	11,121,942	10,051,434
Municipalities	20,922,703	16,343,324
Decrease (increase) in construction in progress	(2,418,537)	(147,834)
Capital asset disposals	879	-
Plant surplus transferred to municipalities on disposition	(9,340)	(193,600)
Change in restricted cash	(66,192)	1,210,465
Cash provided by (used for) investing activities	(2,493,190)	869,031
Increase (Decrease) in cash	(73,676)	1,164,554
Cash (bank indebtedness), beginning of the year	73,676	(1,090,878)
Cash, end of the year	$ -	$ 73,676

Interest paid during the year ended March 31, 2006 amounted to $340,755 (2005 - $263,313)

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 8).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

Capital assets which are constructed by the Board are recorded as Construction in Progress until the Capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the Construction in Progress amounts.

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board maintains an infrastructure renewal reserve account for the Whitemud Conservation District to be used over the next eight years for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The Whitemud Conservation District will assume responsibility for the Provincial waterway infrastructure at the end of the agreement. The Planning and Coordination Branch of the Water Stewardship Department has been assigned responsibility for the Conservation Districts Program.

4. CONSTRUCTION IN PROGRESS

	2006	2005
Balance, beginning of year	$ 2,109,928	$ 1,962,094
New construction costs	34,463,182	26,542,592
	36,573,110	28,504,686
Funding recovered from:		
Municipalities	20,922,703	16,343,324
Province of Manitoba	11,121,942	10,051,434
	32,044,645	26,394,758
Balance, end of year	4,528,465	2,109,928
Less: current portion	1,367,486	790,184
Long-term Construction in Progress	$ 3,160,979	$ 1,319,744

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES

Prior to April 1985, the Board financed capital construction costs through long-term debt at fixed interest rates with the Province of Manitoba and the Canada Mortgage and Housing Corporation. Municipalities financed the municipal share of capital construction costs by issuing debentures to the Board. The debentures were issued in amounts and at fixed interest rates sufficient to discharge the municipalities' share of the Board's corresponding long-term debt financing. Since April 1985, the Board has recovered the municipal share of capital construction costs on a current basis.

Schedule of Debentures Receivable from Municipalities:

Year of Maturity	Annual Payment Date	Interest Rate(%)	2006	2005
2005	October 31	10.950	$ -	$ 74,661
Subtotal (carried forward)			$ -	$ 74,661

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES (continued)

Year of Maturity	Annual Payment Date	Interest Rate(%)	2006	2005
Subtotal (brought forward)			$ -	$ 74,661
2006	October 31	9.800	21,370	40,834
2006	October 31	8.000	31,846	61,333
Total debentures receivable			53,216	176,828
Less: current portion			53,216	123,612
Debentures receivable beyond one year			$ -	$ 53,216

6. CAPITAL ASSETS

	2006	2005
Land and easements	$ 16,852	$ 17,731
Buildings	732,350	816,888
Less: accumulated amortization	706,822	765,832
	25,528	51,056
Equipment	206,666	222,416
Less: accumulated amortization	206,666	222,416
Total capital assets	$ 42,380	$ 68,787

7. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2006	2005
Advances from the Province of Manitoba:				
2006	October 31	9.800	$ 26,004	$ 49,687
2007	March 31	9.625	122,993	235,187
2007	October 31	9.400	7,482	10,749
Total advances payable			156,479	295,623
Less: current portion			152,570	139,143
Advances payable beyond one year			$ 3,909	$ 156,480

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

The aggregate amount of payments required to meet debt retirement provisions are:

2007	$ 152,570
2008	$ 3,909

8. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System of $70,338.

8. **FUNDS RETAINED (continued)**

Funds retained consist of the following:

	No.	2006 Amount	No.	2005 Amount
Plants owned by the Board				
Plants with a deficit	6	$ (1,845,058)	6	$ (1,655,805)
Plants with a surplus	2	32,170	3	64,130
	8	(1,812,888)	9	(1,591,675)
Plants owned by Municipalities				
Plants with a surplus	0	-	0	-
Total funds retained, water supply plants	8	(1,812,888)	9	(1,591,675)
Other Funds Retained		70,338		91,248
Total funds retained		$ (1,742,550)		$ (1,500,427)

During 2005/2006 disposition of funds includes the transfer of one water treatment plant to the R.M. of Harrison, capital works approved by the Board for the Inglis Water Treatment Plant and Lynn Lake Water Treatment Plant and a contingency fund for the Cartier Regional Water Co-operative.

9. **INTEREST ADJUSTMENT FUND ACCOUNT**

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

10. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2006	2005
Professional services	$ 14,898	$ 8,936
Salaries and benefits	1,609,412	1,636,734
Telephone and utilities	19,790	19,080
Travel	9,691	9,742
Rental for office premises	171,253	146,846
Other administrative	125,149	130,621
	$ 1,950,193	$ 1,951,959

11. COMMITMENTS

	2006	2005
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 42,839,034	$ 35,363,100
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 20,002,634	$ 13,195,600
Recovery of construction costs - Municipalities and Cooperatives	22,836,400	22,167,500
	$ 42,839,034	$ 35,363,100

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2006, the Province had unused authority of $25,536,900 under *The Loan Act, 2005* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

The Board pays interest to the Province on these unfixed advances. Interest payable is set at Prime Less 0.75% During 2005/2006 the rate of interest charged was between 3.50% - 4.70% on a quarterly basis.

12. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

13. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of bank indebtedness, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable and accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

16. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.